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12
13 UNITED STATES DISTRICT COURT
14 NORTHERN DISTRICT OF CALIFORNIA
15

16 MIGUEL A. CRUZ, and JOHN D. HANSEN,
17 individually and on behalf of all others
similarly situated,

18 Plaintiffs,

19 v.

20 DOLLAR TREE STORES, INC.,
Defendant.

CASE NO. C 07 2050 SC

21 ROBERT RUNNINGS individually, and on
22 behalf of all others similarly situated,

23 Plaintiff,

24 v.

25 DOLLAR TREE STORES, INC.,
26 Defendant.

CASE NO. C 07 04012 SC

**DECLARATION OF CARLOS
HERNANDEZ IN SUPPORT OF
DEFENDANT'S MOTION FOR
SUMMARY JUDGMENT**

JUDGE: Hon. Samuel Conti
COMPLAINTS FILED: April 11, 2007
July 6, 2007
TRIAL DATES: No dates set.

1 I, Carlos Hernandez, do hereby declare:

2 1. I am employed by Dollar Tree Stores, Inc. ("Dollar Tree") in the
3 position of Regional Training Manager, a position I have held since about July 2005. I
4 started with Dollar Tree as a Manager in Training in December 2001, became a Store
5 Manager in January 2002, was promoted to a District Manager position in about August
6 2003, and was again promoted to a Regional Training Manager position in about July
7 2005. Prior to joining Dollar Tree, I spent some twenty-four years working for retail
8 businesses, starting with Albertson's (the grocery chain) where my last position was as a
9 District Manager. I also worked as a Training Manager for Office Max between my
10 Albertson's employment and my start with Dollar Tree.

11 2. In my first position with Dollar Tree, I performed store manager
12 duties as a Store Manager in two different Dollar Tree stores, one located in Pittsburg,
13 California (Store 1556) and the second in Sacramento, California (Store 1229). As a
14 District Manager, I was responsible for overseeing the operations of several stores in my
15 District, located in the Sacramento, California area. The Store Managers of each store
16 in my District reported to me. I, in turn, reported to a Regional Director who had
17 responsibility for several districts. In my current position, I am responsible for
18 implementing training programs at both the Store Manager and District Manager level. I
19 have provided training to Dollar Tree Store Managers throughout the country, and
20 regularly visit California stores both on my own, and together with Dollar Tree managers,
21 such as the Regional Director, the Zone Vice President and District Managers. My
22 region is Region 9, which consists of some 98 stores in the Central Valley of California
23 and in Nevada. The stores managed by Plaintiffs Cruz, Hansen and Runnings were
24 formerly part of Region 9 (now transferred to Region 23). From about August 2005 to
25 February 2007, the stores in which the Plaintiffs worked were in my Region. Because of
26 the duties I have here described (performing the job, supervising the job, and providing
27 training for the job), I have personal knowledge of the duties performed by Dollar Tree
28

1 Store Managers in California. I submit this declaration to describe the responsibilities of
2 California Store Managers.

3 3. Since I have been a Regional Training Manager for Dollar Tree in
4 California, I have observed that Dollar Tree has placed increasing emphasis on training
5 Store Managers to manage the store, as opposed to performing hourly tasks that do not
6 have any management components. This emphasis has substantially increased since
7 the fall of 2005. There are overlaps in functions; for example, when a Store Manager is
8 training a stocker by working with that employee. Dollar Tree does not want its Store
9 Managers spending a majority of their time in non-management work; the basic function
10 of a Store Manager is to run the store, which means, among other tasks, planning sales,
11 ordering goods, merchandising goods, controlling inventory, accounting for receipts, and
12 supervising the store personnel. Each Store Manager is responsible for hiring,
13 evaluation, training, and discipline of hourly associates. In the case of Assistant Store
14 Managers, the District Manager often becomes involved in the hiring process. We also
15 ask Store Managers to speak with Human Resources personnel about a termination
16 decision, but the Store Manager has full authority to initiate a termination. The Store
17 Manager is responsible for scheduling employees, taking into account the business of
18 the store, the time of freight deliveries and the number of employees working in the
19 store. The Store Manager and the Assistant Store Managers are the management team
20 at the store. The Store Manager is the highest level of management at the Store. The
21 Store Manager is essentially responsible for operating a retail location, including
22 overseeing the delivery of goods, the merchandising of the goods and the sales function.
23 Many stores in California have annual sales of \$1.5 M to \$4 M. The number of Assistant
24 Store Managers in each store in my Region ranges from three to four. The number of
25 hourly associates (who perform cashier, stocking, and store recovery duties, and who
26 generally work on a part time basis) ranges from twelve to twenty employees (and
27 increases during the Christmas season). The variety of food products and goods sold by
28 any Dollar Tree store will vary depending upon whether the store sells liquor or frozen

1 food items. Stores generally average at any given time between 4500 and 5000 SKU's
2 (each SKU being a separate kind of good for sale). This number varies due to the time
3 of the year and store size.

4 4. Dollar Tree stores are usually classified by square footage (both
5 gross and that available to the sales floor) and store layout as well as store location.
6 Stores are, for example, referred to as mall or stand-alone stores to designate where
7 they are located.

8 Dollar Tree has the following descriptions for store classifications:

9 SO (Small) applicable to stores of less than 4,700 retail square feet;

10 LO (Large) applicable to 4,700 to 7,899 retail square feet;

11 XO (Super) applicable to 7,900 to 12,579 retail square feet;

12 RT (Race Track) applicable to stores of greater than 12,580 square feet.

13 The store classification affects many aspects of managing a store. It affects what goods
14 the Store Manager may order, the merchandising of the store, the number of personnel
15 to be supervised, and the manner in which tasks in a store are performed. The sales
16 volume of the store, regardless of classification, has a similar effect, as the number of
17 employees, the size and number of orders, merchandising work and other store tasks
18 vary depending upon the sales level.

19 5. The work of a Store Manager changes depending upon the location,
20 volume, configuration and personnel in a store. Every store has particularized
21 circumstances, ranging from the type of clientele, to the location of the store, to the type
22 of personnel available for hire, to the most popular goods, to the comparable sizes of the
23 selling area and freight storage areas. The type of clientele affects the amount of time
24 devoted to recovery (the work necessary to pick up a store) and to shrink prevention (the
25 work necessary for loss and damage control). The number of customers also affects
26 recovery efforts. Generally, the higher the volume, the more time that is required for
27 recovery. The larger a store, the more allocations the store will have, and the more
28 ordering decisions a Manager will need to make. A Store Manager with a limited storage

1 area has different considerations in scheduling stocking crews and in getting
2 merchandise to the shelves than does a Store Manager with a larger back room. The
3 number of end caps (the display at the end of each store row which should attractively
4 market seasonal or other top selling goods) affects how much merchandising work a
5 Store Manager must perform or oversee. Some stores have extended front windows;
6 others have less window space. The front windows may be in different configurations
7 which will affect building window displays. There are many variables between stores; it
8 is the Store Manager's responsibility to understand the particular aspects of his/her store
9 and to manage the Company's directions in accordance with the needs of the particular
10 store. (I use his in the remainder of the declaration to refer to all Store Managers,
11 whether male or female.)

12 6. When I train Store Managers, I tell them that planning is the key to
13 success in operating the store. I say that 25% to 30% of their time must be devoted to
14 planning the staffing and operations of the store to maximize sales. When I make this
15 presentation, I define planning as hours spent in the office. Dollar Tree asks all Store
16 Managers to develop a Master List for a 6 to 10 day time period. This is a continuing list
17 so that if tasks do not get accomplished within that period, they are placed on the next
18 Master List for completion. The Master List then should be broken down to a daily task
19 list with the Store Manager having the Daily Planner handy throughout the day, for
20 example on a 3 by 5 index card. The Master List and the Daily Planner should be
21 updated every day. This allows the Store Manager to set goals, prioritize tasks, keep
22 track of what has been completed, and to organize delegation of the various tasks.
23 There are a number of store activities that fall within the planning function. For example,
24 the Store Manager needs to review sales trends and popular selling items and needs to
25 plan the placement of orders to be consistent with sales trends. The Store Manager
26 must schedule employees, decide upon how the merchandising will be displayed and
27 oversee all employees who are engaged in the various tasks required of a retail
28 operation. The Store Manager must supervise the placement of goods on shelves, the

1 sales function, the store's presentation, the way goods are merchandised, the collection
2 and deposit of cash, customer transactions, employee payroll and time recording, and all
3 personnel actions for store employees. If a Store Manager spends 25% to 30% of his
4 time in planning, and taking into consideration the remaining supervisory functions to be
5 performed, the Store Manager will spend more than 50% of his time on management
6 responsibilities.

7 7. When I was a District Manager, I trained Store Managers by
8 breaking down every hour of time that they work and asking them whether someone else
9 in the store could be performing certain functions. If that is the case, the Store Manager
10 should delegate so that the Store Manager is performing only the work that most other
11 employees cannot do. Only Store Managers have the primary function of planning and
12 assigning work. Only Store Managers can approve payroll. Store Managers are
13 ultimately responsible for ordering for the store, including ordering food products for
14 those stores which sell refrigerated food. Store Managers are responsible for reviewing
15 store employees' time records to make sure that all work is accurately recorded. Store
16 Managers are responsible for determining the number of employees needed, including
17 deciding upon additional hiring needs for the November/December holiday season.
18 Store Managers are ultimately responsible for accounting for all sales transactions in the
19 store, and should regularly review cashier statistics (contained on a form entitled a
20 Cashier Comparison Report) to insure that cashiers are productive and honest. Store
21 Managers should review such report to make sure that there is nothing unusual about
22 the employee's average transactions and that line item voids are both within Company
23 standards and not otherwise unusual. Store Managers should conduct regular till audits
24 (making sure that the amount of cash in the register corresponds to the transaction
25 accounts). Store Managers are responsible for controlling both internal and external
26 inventory loss in the store, including taking steps to prevent stealing and to record
27 accurately goods that cannot be sold or are being sold as part of a \$1.00 grab bag
28 (referred to as a mark up/mark down function). As part of the mark up/mark down

1 function, Store Managers must account for breakage, defective goods, expiration dates
2 and field markdowns (often merchandise placed in a grab bag) through the mark
3 up/mark down function. Store Managers are responsible for store presentation; the store
4 should be clean and recovered, with attractive displays of end caps, impulse items on
5 clip strips, gondola displays, and other forms of merchandise display. This function also
6 includes making sure that stockers keep the store's shelves full. The degree of
7 autonomy at the Store Manager level is an aspect of Dollar Tree's business that I have
8 always enjoyed.

9 8. One of the major discretionary responsibilities of a Store Manager is
10 in merchandising. The Company assists Store Managers by providing seasonal
11 planning guides indicating when merchandise for a particular holiday should be
12 displayed and providing guidelines for how the store windows and some end caps
13 should look. The Store Manager retains discretion in deciding how many facings (rows
14 of product) he stocks for any particular goods. The Store Manager can expand or shrink
15 the promotional areas provided by the sales planning guides based on what is selling in
16 his store. Even as to those displays that are provided in the planning guides, the Store
17 Manager must apply the guides to the lay-out and size of the particular store. The
18 seasonal planning guide is often no more specific than "set a Wow table with Valentine's
19 Day goods". (A Wow table is a table in the front of a store which displays seasonal or
20 other theme merchandise.) Attached hereto as **Exhibit 1** are true and correct copies of
21 photographs I took of the Valentine's Day displays in three separate stores in 2005. One
22 Store Manager decided to use balloons throughout the store and over aisles. A second
23 Store Manager decided upon a Wow table with cards, bears and picture frames. The
24 third picture in Exhibit 1 shows a shelving display for Valentine's Day in a different store.
25 Attached hereto as **Exhibit 2** is a true and correct copy of a Saint Patrick's Day Wow
26 table. Again, the instruction was a general one to develop a Wow table for that holiday.
27 Attached hereto as **Exhibit 3** is a true and correct copy of the Wow table for the
28 December holiday season for one store. Attached hereto as **Exhibits 4 and 5** are,

1 respectively, Wow tables meeting the general request to create a candle and picture
2 frame display (Exhibit 4) and to create a display for Coke (Exhibit 5). Exhibits 2 through
3 5 are photos I took in various stores in Region 9 in 2004 and 2005.

4 9. Dollar Tree often creates baskets for various holidays. We provide
5 general direction (such as a basket of bath-related materials) but it is up to the Store
6 Manager to decide what goods will be assembled and how the baskets will be displayed.
7 There are end caps for which no specific instructions are given. For those end caps, for
8 gondolas and for other promotional displays, the Store Manager can be creative in
9 linking products, colors and selling themes. For example, a Store Manager might decide
10 to build a cooking display, bringing together color-coordinated items related to cooking.
11 A Store Manager might decide to have a pallet display (placing goods on a pallet in a
12 particular department). A Store Manager might decide to display goods through a cut
13 box (using the shipment box cut open to display product). Manager promotions are
14 totally up to the Store Manager to create, depending upon what goods the Manager has
15 ordered, what sells to the clientele of the store, and the Manager's creativity. The Store
16 Manager should coordinate the merchandising with his analysis of what is selling in the
17 store and with what he could sell at a higher margin. For example, when reviewing
18 goods to order, the Store Manager might notice that glassware has a high margin.
19 Therefore, he could build a promotional display of glassware, wine bags and textiles to
20 promote the glassware. The Store Manager would need to coordinate ordering of
21 glassware with the promotion.

22 10. One of the Store Manager's functions is ordering. Orders are
23 placed once or twice a week, depending upon the store's sales volume. Attached hereto
24 as **Exhibit 6** are true and correct copy of excerpts from guidelines Dollar Tree provides
25 to Store Managers for ordering. Dollar Tree utilizes a Store Level Inventory Control
26 system ("SLIC") which allows the Store Manager to see different descriptions of the
27 SKU's ordered or available for order. Goods are ordered through one of three ways: (1)
28 An Advanced Store Replenishment System ("ASR") which automatically re-orders based

1 upon a tabulation of what is sold. (2) An allocation system which provides a specified
 2 amount to each store. (3) Orders placed by the Store Manager based on his analysis of
 3 sales trends and promotional opportunities. We ask Store Managers to order between
 4 22 and 25% of the product in their store. The Store Manager has a number of tools to
 5 assist in planning the ordering process in such a way that sales are maximized. Those
 6 tools are part of a planning book which we ask Store Managers in California to compile,
 7 update and use as part of the planning process. It is called a Playbook. Attached hereto
 8 and incorporated herein by reference as **Exhibit 7** is the index of a Playbook. The index
 9 identifies three documents that are primary ordering tools: (1) The ordering scorecard
 10 which lists goods in a particular store by department, with each department then
 11 analyzed on a weekly basis for the amount of sales, the percentage of that department's
 12 sales to the overall store sales, the margin of sales, and the amount of such sales
 13 ordered through ASR, the allocation system and by the manager. (2) A list of the Top
 14 200 items sold in the store for a week's period which lists those items by the particular
 15 good, rather than by the department, and also provides the SKU number, the number of
 16 units of each good sold, and the retail amount of the sale of each item. (3) A Top 10 list
 17 on a Company-wide basis of the products sold in a particular period. The Store Manager
 18 must analyze all of that information for merchandising and ordering purposes. Every
 19 third week is an "open to buy" week where the manager may order non-ASR goods in
 20 larger quantities than what the ordering system generally allows. This permits smaller
 21 stores to order higher quantities of goods that are strong sellers, and permits Store
 22 Managers to develop promotional displays. Another planning tool which is part of the
 23 Playbook is the weekly business summary which provides sales data, inventory data,
 24 shrink data, SPEH data and mark up/mark down data by store and by district.

25 11. The Store Manager is ultimately responsible for the evaluation and
 26 training of all store employees. The better the Store Manager is at hiring and training,
 27 the more the Store Manager will be able to delegate to the Assistant Store Manager
 28 level. Assistant Store Managers, even though they have supervisory responsibilities, are

1 paid on an hourly basis and treated as non-exempt employees. Only the Store Manager
2 at the store level is classified as an exempt employee. Many of the above functions can
3 be delegated to the Assistant Manager level; but it remains the Store Manager's
4 responsibility to insure that all store-related functions are effectively implemented.

5 12. Attached as **Exhibit 8** is a true and correct copy of Dollar Tree's
6 Compass policy providing guidelines to a Store Manager concerning the scheduling of
7 employees. It is the Store Manager's responsibility to finalize the schedule and then to
8 revise it as necessary during the week to meet increased sales requirements and
9 employees' time off needs. The system creates a preliminary schedule for cashier
10 hours, but the Store Manager must review the schedule and insert hours to cover both
11 gaps in coverage and anticipated peak sales hours. The Store Manager schedules all
12 stocking and Assistant Store Manager hours. Another duty of a Store Manager is to
13 protect Company assets. Dollar Tree provides the Store Manager with guidelines in how
14 to analyze cashier statistics, how to conduct till audits, how to conduct bag checks of
15 employees, how to monitor the transfer of goods into and out of a store, how to properly
16 record mark ups and mark downs, how to record and control cash and bank deposits,
17 and how to monitor those goods which are delivered directly to the store by a vendor
18 (called DSD). The Store Manager is responsible for the implementation and oversight of
19 all such asset protection functions.

20 13. As a general matter, each store is given a projected number of
21 employee hours based on anticipated sales (which are in turn based upon an analysis of
22 what the sales were for a similar period in the prior year). California has the highest
23 minimum allocation of any state in the country, with the goal of insuring compliance with
24 meal and break period and exempt requirements. It is up to the Store Manager (with
25 assistance from the District Manager) to constantly monitor his expected hours (called
26 SPEH or Sales Per Employee Hour) to make sure that he is scheduling additional hours
27 if sales increase, and cutting back if sales decrease, while having necessary crews to
28 stock and run the cash registers. When I was a District Manager, responsible for

1 overseeing 12 Store Managers, at stores located in the greater Sacramento area, I
2 reviewed my Store Managers' work to make sure that they were spending a majority of
3 their time performing management functions. If I thought that a manager was spending
4 too much time throwing freight, for example, I would work with the manager to improve
5 his/her planning, delegation and training skills so that others were doing that work. I
6 have consistently said the following to Store Managers (both when I was a District
7 Manager and in my present training role): You are a manager; you need to be primarily
8 involved in planning. We expect you to do functions that no one else can do.

9 14. Dollar Tree reminds its Store Managers of the need to spend more
10 than 50% of their time in performing management responsibilities by making available a
11 certification form (one format of which is attached as **Exhibit 9**) to record on a weekly
12 basis whether the employee is meeting that test. During my training of Store Managers,
13 I consistently tell Store Managers to tell the truth on the certifications so that the
14 Company will know where it needs to concentrate to make sure that the Store Manager
15 is spending a majority of time in management functions.

16 15. Dollar Tree has spent substantial resources in training for Store
17 Managers. We now have an MIT (Manager in Training) program for all persons hired
18 into a Store Manager position. There is an eight week training period, done at a store
19 location. However, on four different occasions during that eight week period, we provide
20 training at a variety of learning centers. (I often hold training sessions at a learning
21 center located at the Company distribution center in Stockton.) One such session
22 provides the history and philosophy of Dollar Tree; another provides our no-harassment
23 and non-discrimination training (called Respect in the Work Place); one session focuses
24 on interviewing and hiring; and one session focuses on skills such as planning,
25 communication, execution and follow-up (called Creating a Routine).

26 16. Attached as **Exhibit 10** are slides from a Power Point presentation
27 which I regularly make in the MIT training program. The slides in Exhibit 10 provide
28 training for the planning function. Attached as **Exhibit 11** are further slides from the

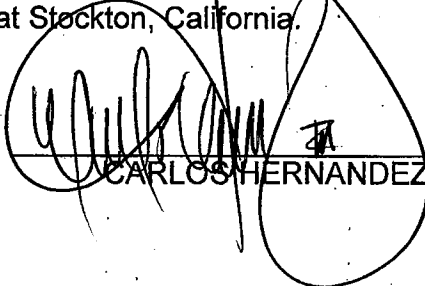
1 same Power Point presentation which provide training on how to delegate. These slides
 2 are consistent with the advice and training we give all Store Managers, whether or not
 3 they are in the MIT program. As can be seen from Exhibits 10 and 11, Dollar Tree
 4 emphasizes the importance of the Store Manager's continuously engaging in planning.
 5 We advise keeping a master list of tasks to be accomplished. We often advise Store
 6 Managers to use 3 by 5 index cards so that they have ready access to their planning
 7 lists. We discuss the importance of prioritization and delegation. The presentation
 8 depicted in Exhibit 11 stresses the importance of delegation in a number of different
 9 ways. There is a slide discussing excuses for not delegating, and why those excuses
 10 are not valid. There are slides on selecting the right person to whom the task should be
 11 delegated and for follow up by the manager. All of this training is to help insure that the
 12 Store Manager does not perform non-management tasks himself. Attached as
 13 **Exhibit 12** is a sample Master List which I use in training materials. Of all the tasks on
 14 Exhibit 12, I would expect managers to perform only three themselves ("review ad
 15 checklist with team"; "check May pull & hold list for compliance"; and "check items from
 16 zero sales report"). I expect that the remaining tasks would be delegated and the
 17 performance of the work supervised by the Store Manager. This is what I tell Store
 18 Managers in training with this material.

19 17. Store Managers' salaries in Region 9 currently range from \$40,000
 20 to \$63,654, with the median salary at \$48,500. In addition to their salary, Store
 21 Managers receive incentive bonuses based exclusively on sales-related factors. Store
 22 Managers are eligible to earn a bonus per period (approximately every 4-5 weeks) based
 23 on an increase in sales, and more recently (effective period 9 in 2007) based on sales
 24 increases including a margin component. Attached hereto as **Exhibits 13** and **14** are
 25 descriptions of the Store Management Bonus Plan. The steps a Store Manager can
 26 take to increase sales are: (1) Make sure the store is fully stocked with as much freight
 27 as possible on the sales floor; (2) Pay careful attention to ordering both in terms of
 28 assortment and quantity; (3) Make sure that every SKU available to the store is on the

1 sales floor; (4) Develop attractive merchandising displays; (5) Analyze whether the
2 store's top selling items are on the front end caps; (6) Make sure that tie-ins of high
3 margin goods have been placed near the best selling goods, again in a colorful and
4 attractive display; and (7) Do everything possible to improve customer service, including
5 having meetings with the staff to emphasize how customers should be treated.

6 I have read the attached declaration and do hereby declare, under penalty
7 of perjury under the laws of the United States, that it is true and correct.

8 Executed on January 2, 2008 at Stockton, California.

9
10 
11 CARLOS HERNANDEZ
12

13 4819-5830-3234.1
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Exhibit 1





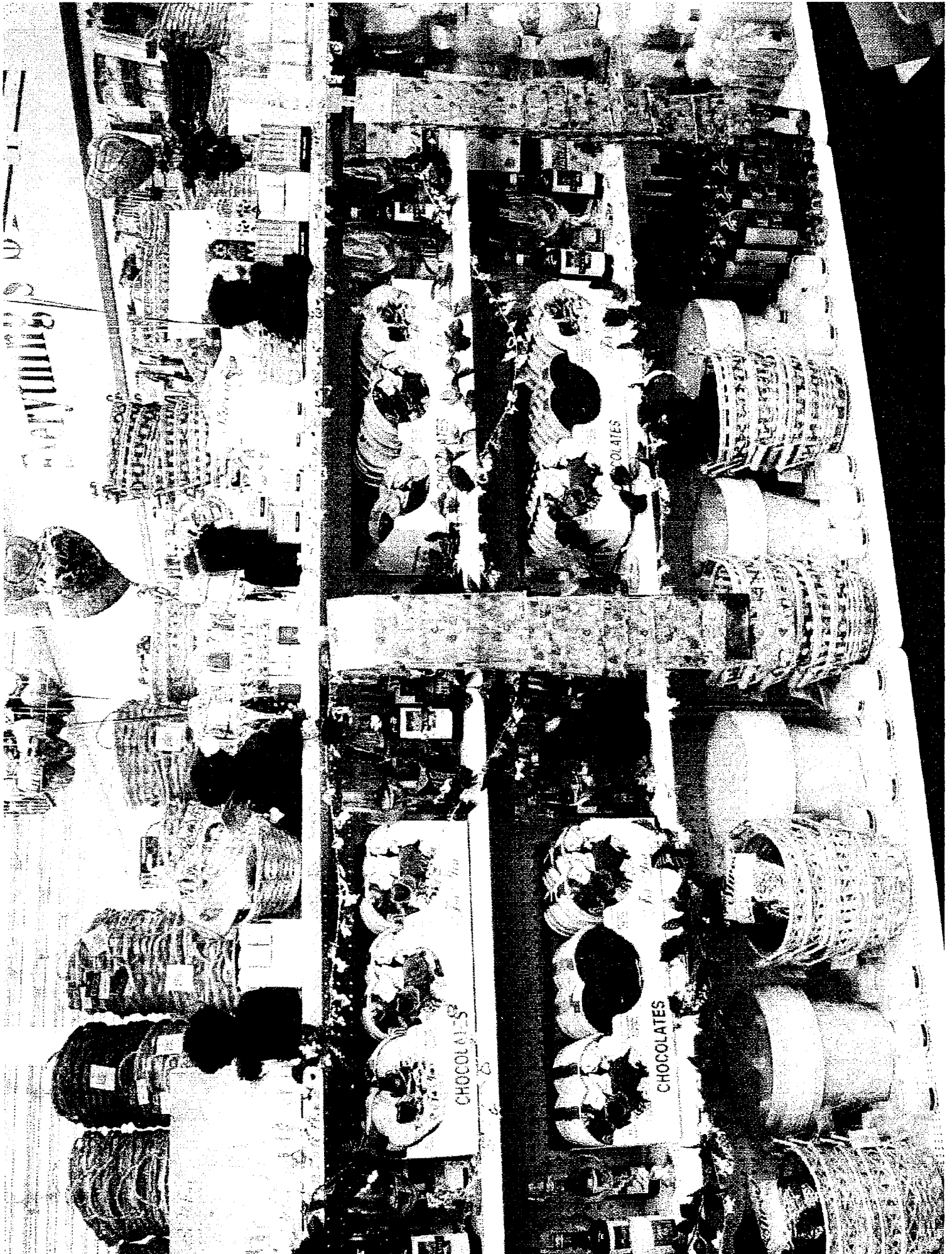


Exhibit 2



Exhibit 3



Exhibit 4



Exhibit 5



Exhibit 6

There are a few new codes on the Order Book (One code is circled in picture to left).

[illegible]

When to Order

With SLIC you can create and submit an order for processing at anytime up until your order due date. When you submit an order for processing, the merchandise is held for you in the distribution center so you are more likely to get what you order. If you submit an order for processing after your due date, it will be included on your next delivery.

Note: A 'remember to submit order' email will be automatically sent to each store on their order due date ***if an order has not been submitted.***

Submitting Multiple Orders

When ordering the same SKU on multiple orders, the amounts you order are not added together for a final total. The last amount you enter is what you will get. (Example of next page.)

STYRE LEVEL INVENTORY CONTROL
May 1986

Store Ordering

Ordering Name _____
Store Address _____
City _____ State _____ Zip _____

Current Store Order Information

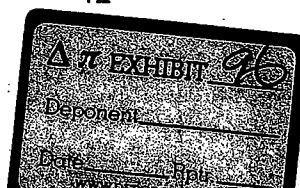
Business Purpose _____
Order Detail per day _____
Inventory On Hand \$107,792.00
Date Due 5/20/86
Dated Order Number 04661 - Expires 8/31

Call # 1-800-234-7890, or Write Request
AMCUT - ORDER - 1612

Order Due Date

To see your store's order due date, from the main menu of SLIC click on the **Store Order** button.

Your order due date will be shown under the "Current Store Order Information" heading circled on screen above.



Store Orders

For example, let's say your order due date is Tuesday. On Saturday you submit an order for 100 of SKU X, then on Sunday you submit another order for the same SKU in the amount of 25. The last amount you ordered, 25, will be the amount that is processed for your store. **The SKU amounts for the first order are not added to the amounts of the second order if it is the same SKU.** If you added different SKU's to the second order, those SKU's will be added to your total order.

Ways to View SKU's (Office PC)

There are several different ways for you to view SKU's in SLIC.

- By Department/Sub-Department
- Items on Order
- Continuity Items
- New Items
- Hot Items
- High Margin Items
- Items Not in Store
- Store Supplies
- Top Sellers Not Ordered
- Replenishment Items (Only select stores)
- All

When ordering, select the view that will help you narrow down the merchandise you need to order for your store. You can change views as often as you like, but you must remember to click on the **Save Changes** button before switching to a new view or you will lose any SKU's you have ordered in the current view. For a detailed description of each of these views, refer to the next page of this Quick Start. For tips on how to use some of these views, refer to the next page of this Quick Start.

On Hand and Days of Supply Columns

Dashes will be displayed in the **On Hand** and **Days of Supply** columns for stores that have not had a SKU level inventory. Once your store has a SKU level inventory these columns will be populated

If your store hasn't had a SKU level inventory, you must use the **On Order** quantity, the **Weekly Average Units** quantity, checklisting, and your product knowledge to order the correct amount of merchandise to keep you in stock between deliveries.

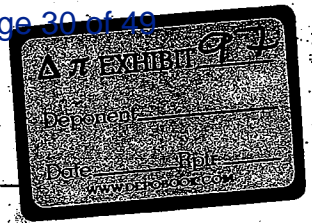
To select a view, click on the drop down arrow, slide down the choices and click on the view you want. If you select the "By Department or "By Department/SubDepartment" choices, other boxes will appear to allow you to select the particular Department and subdepartment you wish to view.

Be sure to click on the **Go** button after making your selections so that SLIC will display the SKU's you are looking for.

Store Orders

Descriptions of the Different Ways to View SKU's

View Names	Description
By Department/Sub-Department	Using this view, you can view the SKU's of a specific department and sub-department. This method of viewing SKU's will really narrow down your search.
Items On Order	This view will show you all of the SKU's that you have added to your current order. Use this view to verify what you have ordered for your store.
Continuity Items	This view will show you all SKU's that are considered to be Continuity Items. Meaning that these items are deemed important to our business and should be in stock 85-99% of the time at the Distribution Center and hopefully in your store.
New Items	New Items are defined as items that have never been shipped (invoiced) to a store. This would also include all items that are assigned new SKUs.
Hot Items	SLIC looks at a store's last four weeks of shipments and divides by its last four weeks of sales on each SKU. If a SKU is selling at a rate higher than a standard set in the system, the SKU will be identified as 'Hot' and appear in the Hot Items view.
High Margin Items	This view will show you SKU's that have high margins and are profitable to sell.
Items Not in Store	This view will show you all of the SKU's that are currently not in your store and have not been ordered. Keep in mind that if your store has not had a SKU level inventory, the information in this view may be incorrect.
Store Supplies	This view will show you all available store supply SKU's.
Top Sellers Not Ordered	This view will show you all of the SKU's that are 'top sellers' in your district that have not been ordered. It is a 'best practice' to always select this view before submitting your final order. You may find that you need to add something to your order.
Replenishment Items	Some stores are on an automatic replenishment program. Some of the more predictable items in their store will be automatically replenished by SLIC. The store will not be able to order these items, however, they can view which items are being automatically replenished by selecting this view.
All	Shows all SKU's in the Order Book.



Store Orders

The SLIC Ordering Process: Best Practices and Procedures

It's time to learn the "best practices" for ordering with SLIC. Read over the policy, procedure, and "best practices" for ordering with the SLIC application below.

Purpose

The purpose of this document is to provide guidelines for ordering merchandise with the SLIC application (Store Level Inventory Control) maximizing both sales and product turns.

Policy

- Stores that have not had a SKU level inventory performed on their store can use the **On Order** quantity and the **Weekly Average Units** (units sold) quantity in SLIC to help them gauge what to order. Stores should consider the minimum amount needed to represent a product appropriately (full displays), and the amounts needed to stay in stock between deliveries based on sales (product turns) of an item.
- Stores that have had a SKU level inventory can use the **On Hand** and **Days of Supply** information in SLIC as well as the **On Order** and **Weekly Average Units** information to help them determine what they should order. These stores should consider the minimum amount needed to represent a product appropriately (full displays), and the amounts needed to stay in stock between deliveries based on sales (product turns) of an item.
- Stores with a twice a week delivery cycle will order for all departments twice a week in the SLIC application and will receive merchandise for all departments twice a week. Stores should keep in mind the following.
 - Order merchandise amounts considering twice a week deliveries. Generally, stores should order approximately half as much as they would for once a week deliveries.
 - Order all SKU's for all departments, but give special attention to high velocity departments (high turns) and your top sellers. Make sure you keep these in stock at all times. A good order will ensure that a store has all available SKU's on-hand. Refer to your *SLIC Quick Start* for instructions on how to determine the top selling SKUs in a particular department.
 - Plan to work all high velocity merchandise to the sale floor first, then work on slower selling areas. It is important to have a plan to work all departments to the sales floor, remembering that you will be receiving all departments on your deliveries.
 - Carefully review seasonal items in SLIC. Keep the full assortment stocked and order your best sellers to maintain your feature displays. The Sales Manager should provide ordering advice for seasonal and promotional areas.
- Stores that only have one delivery each week will continue to order as usual, following the order due dates in SLIC.

Store Orders

- Store Managers should be present for all deliveries from the distribution center. This will help ensure that management is aware of the merchandise in the store and that incoming shipments are handled efficiently.
- Freight Managers should also be present for all deliveries from the distribution center.
- Store orders should be 'confirmed' by 12 noon (Eastern Standard Time/East Coast Time) on the due date shown in the SLIC application. If a store order is submitted after the due date at 12 noon (EST) in SLIC, it will be added to the following delivery.
- Store expense orders should be completed and confirmed in SLIC the day prior to your order due date. If you fail to follow this procedure, you may not receive your supplies until the following delivery.
- Orders can be "confirmed" several times throughout the week. Once you "confirm" an order, the merchandise is held for your store, if available.
- Stores will receive an email the day of their order due date to remind them to complete and 'confirm' their store's order if it hasn't been 'confirmed' already.
- All stores should keep last week's Order Book until the next order is completed. This will ensure that stores have an Order Book at all times, even if the SLIC application goes down.
- All store orders should be reviewed by the Store Manager before they are 'confirmed' (finalized) in the SLIC application. Look for extremely large quantity ordered (typing errors) or departments that may have been missed. Ensure top selling items have been ordered and that items that are not On-Hand have been ordered.
- One of the Checklist Manager's primary responsibilities is to manage the checklisting and store ordering process, however, the Store Manager is still ultimately responsible for the store's order.

Process and Details:

Stores without a SKU Level Inventory Using Handheld Scanners

1. Using a handheld scanner, the Checklist Manager should walk the sales floor to scan and enter amounts for the SKU's he/she believes the store needs. The manager does not have to use the Order Book for this. The Checklist Manager should, however, walk the stockroom to determine what he/she has available before entering amounts.

It is recommended that a scanning pattern be used when ordering items. This will help ensure that each area of the sales floor is scanned and the store order is thorough.

As you scan an item you should refer to the **On Order** quantity and the **Weekly**

Store Orders

Average Units (units sold) quantity to help you make ordering decisions. These numbers are also shown on the Order Book.

Stores with a SKU Level Inventory Using Handheld Scanners

Stores that have had a SKU Level Inventory will have *On Hand* amounts in SLIC. As these stores scan products they will be able to see **On Hand** quantities on their handheld scanner as well as **Days of Supply, On Order, and Weekly Average Units** information to help them determine what they should order. This information will help store management make better decisions about how much to order. The steps in the process are the same for both store types. However, stores with a SKU level inventory can create a pull list of merchandise that needs to be stocked on the sales floor using the handheld scanner when the stockroom is checklisted. Refer to SLIC Quick Start or Reference Guide for instructions.

Tips For Step 1 Above:

- If possible, walk the store before it opens. This provides uninterrupted time to complete a walk through.
 - Don't forget the stockroom. You may identify merchandise that is in the stockroom that isn't on the sales floor. You can create a Pull List on your handheld scanner to hand out to associates during the day.
2. After the Checklist Manager has scanned what he/she believes the store needs for each department, a copy of the Order Book that includes all departments should be printed. All of the items ordered by the Checklist Manager will show up on the Order Book.
 3. The Checklist Manager will hand each Assistant Manager their sections of the Order Book and have them walk their assigned departments. They should take notes on SKU's they believe should be added to the order and on quantities that may have been ordered by the Checklist Manager improperly (may not really need the SKU). The Assistant Managers who help checklist and create the store order should be assigned departments and areas of the store that pertain to their specific management roles, however, other departments or areas may be assigned to ensure the entire store is checklisted. For example, the Sales Manager should be sure to order all seasonal and promotional merchandise for storefront fixtures. The Impulse Manager should order all impulse related items (i.e. batteries, eye glasses etc.)
 4. Each Assistant Manager should return his/her work to the Checklist Manager for review. If they suggest ordering less of a product, they should explain why.
 5. The Checklist Manager should give the Store Manager the Order Book with the suggested orders. The Store Manager should make the final decision about what is ordered and the amount that is ordered.
 6. After the order is initially approved by the Store Manager, the Checklist Manager should use the handheld scanner to scan the Order Book and enter the SKU's

Store Orders

recommended by the Assistant Managers. Once the order has been entered, the Checklist Manager will notify the Store Manager again for review.

7. The Store Manager and/or Checklist Manager should launch SLIC from the Office PC and click on the **Complete Store Order** button within the Store Orders screen. This will display the store order analysis screen, which shows the dollar amount of the ordered for each department. The Store Manager and/or Checklist Manager should compare the order by department to ensure proper quantities are ordered to replace sales and to maximize sales at the store. The Store Manager and/or Checklist Manager should review Weekly Department Sales in Win/DSS to accomplish this. (Weekly Department Sales information can be found under the *Reports* Tab, F7 in Win/DSS.) The Store Manager and/or Checklist Manager should also review the top 25 items in the district not currently on the order (in SLIC) and add any items needed.
8. Finally, the Store Manager and/or Checklist Manager should click on the **Confirm** button in the SLIC application to finish the store order and send it to the Store Support Center for processing.

Note: If the Store Manager is not present at the store, the Checklist Manager can review and **Confirm** the store order in SLIC. However, the Store Manager is responsible for ensuring that a proper store order is placed and should be involved in the ordering process for each store order.

Best Practices

- Always verify that all of your outstanding transfers and shipments have been received in SLIC before starting your store order. If you have not received transfers or shipments that have arrived at your store, your *On Hand* and *On Order* numbers will be incorrect. This will affect what you believe you should order.
- Place UPC labels on racks for easy scanning. (ex. Poster board, McGraw Hill Books, Sun Glasses, Reading Glasses, Shasta, Umbrellas, Sandy Lion)
- Once an associate has been assigned to order a department for a month, have him/her switch with someone else to learn another department (cross-train). This will help when certain associates are not scheduled the day of ordering.
- Review the best selling items for your store in SLIC when ordering. Refer to your *SLIC Quick Start* for instructions on how to do this.
- Review Week Department Sales information found in Win/DSS under *Reports* Tab (F7).
- Order all SKU's to ensure you have all SKU's on-hand. Pay close attention to high velocity and top selling items.
- Confirm department orders as they are completed and approved to hold your merchandise (if available) for delivery in SLIC.
- Work high velocity departments when new deliveries arrive. It is important to work as many departments as possible with each delivery in order to increase product flow and turns.

Store Orders

- Recycle your Order Book paper by turning over the paper and printing your next Order Book on the opposite side.

Ordering Without a Handheld Scanner

If the handheld scanner is not working, you must manually enter your order.

1. The Checklist Manager should print the entire Order Book from SLIC.
2. Then, divide it up between the Assistant Managers who work certain departments.
3. Have the managers write the amount next to the SKU's that are needed in the departments they work.
4. The Checklist Manager must manually enter the SKU amounts into the SLIC application. When entering the SKU amounts, select the "All" view. This will put the SKU's on screen in the same order as the Order Book you printed. This will make finding and entering the SKU's amounts much easier.
5. Once the order has been entered, the Store Manager should review the order in SLIC. He/She may print it out for review if necessary.
6. Once the order has been reviewed, the Store Manager or Checklist Manager should click on the **Complete Store Order** button. This will open the Store Order Analysis screen, which shows the store order broken down by department. He/she should review the order to ensure that they have ordered enough merchandise to keep them in stock until the next delivery.
7. Finally, the Store Manager or the Checklist Manager should click on the **Confirm** button to complete the store order and send it the Store Support Center for processing.

Note: If the Store Manager is not present at the store, the Checklist Manager can review and **Confirm** the store order in SLIC. However, the Store Manager is responsible for ensuring that a proper store order is placed and should be involved in the ordering process for each store order.

Exhibit 7

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Exhibit 8

Dollar Tree Stores, Inc.

COMPASS

Scheduling

Best Practices

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**Maximize
Front End
Productivity**



**Maximize
Back End
Productivity**



**Recover to
Standards**

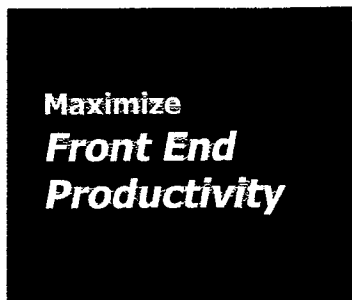


**Replenish
& Fill**

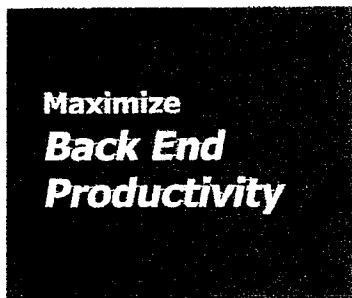


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Produced by Corporate Training & Development.

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The Working Example

- Let's assume the store in our example produces \$20,000 a week in sales. This weekly sales example works for a majority of stores.
- For a store with a \$100 SPEH, we will use **200 hours plus 50 hours** for the Manager

Front End

Compass will schedule approximately 70 hours (of the 200) for cashiers. To ensure that COMPASS works effectively for you, follow the COMPASS Best Practices in this guide.

Back End

We stock 7 Days a Week to maximize back end productivity. Off Hour stocking for the majority of stores should begin at 5:00 AM. The store in our example receives 700 cases of freight. This equals to 35 hours to stock at the rate of 20 cartons per hour. The truck must be completed in 2 days.

Replenish

We'll replenish and fill the other 5 days at 4 hours per shift. This equals to 20 hours and it means that we get 400 additional cartons of freight to the sales floor at the rate of 20 cartons stocked per hour.

Recovery

We'll maximize peak hour cashier backup.

We'll maximize daily recovery:

- 11 to 3 and 4 to 8 for Monday through Saturday
- 12 to 4 on Sundays

This allows for backup cashier and recovery every day.

These tasks equal 52 hours

Let's add up the hours

Cashiers	70 hours
Backup/Recovery	52 hours
Stocking Truck (2 days)	35 hours
Daily stocking (4h a day x 5)	20 hours
Sub Total	187 hours

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Total Hours available to achieve a SPEH of \$100 is 200 for hourly and 50 for Store Manager = 250

SPEH Hours	=	250	Includes SM at 50 hours
Sub Total	=	187	
Balance	=	73	These are the remaining hours that are available for other activities in the store.

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Front End Productivity

Scheduling Best Practices

A

Assess Sales Projections

1. Review your current sales trends versus last year. Use LY as a guide and adjust to trends.
2. Review the forecasted sales estimate for the week in COMPASS schedule example below.
3. COMPASS determines the % of weekly sales per day. ASK: Are you ready for peak periods and holidays when compared to last year?
4. Monitor the forecasted sales daily compared with actual sales. If sales trends are up or down, how will you adjust the hours? Partner with your District Manager.

Period: 45 Previous May 14, 2006 - May 20, 2006 Next 22

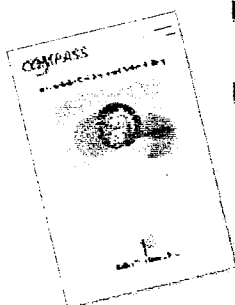
	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total
Scheduled Hours	28.00	28.00	28.00	28.00	28.00	28.00	28.00	200.00
Productive Hours	28.00	28.00	28.00	28.00	28.00	28.00	28.00	200.00
Non-Productive Hours	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Starting Hours	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Productive Hours	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Scheduled SPH	79.31	79.31	79.31	79.31	79.31	79.31	79.31	555.17
Projected SPH	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Forecast Sales	1884	2355	2271	2352	3228	3660	4284	21157
Daily Percent	8.2%	10.47%	10.07%	10.47%	14.5%	16.84%	19.55%	100.00%

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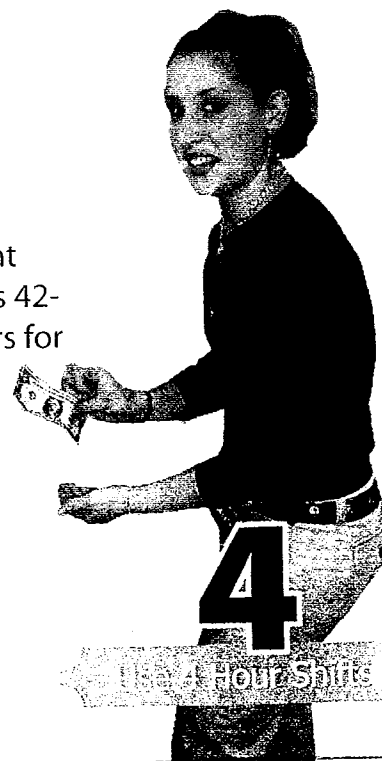
Forecasting, Monitoring, and Adjusting sales to trend is critical in making a good & efficient schedule.

B

Maximize Cashier Scheduling



- ▶ COMPASS can leave gaps between cashier shifts due to associate availability.
- ▶ You must use the Line View to review coverage gaps and adjust shifts to fill those gaps. Many times Assistant Managers can be assigned to cover gaps. Review pages 42-50 in the COMPASS Quick Start book for Store Managers for assistance with this task if needed.
- ▶ Review peak periods for coverage, such as morning shifts, busy times of the day, and during breaks and lunches.
- ▶ Anticipate busy times while scheduling in COMPASS.
- ▶ Use experienced cashiers for peak times.
- ▶ Consider weekend periods as first priority.
- ▶ Schedule Cashiers to work impulse items.
- ▶ Review coverage by shift summary.
- ▶ Hire associates with best availability & flexibility.



4

Use 4 Hour Shifts

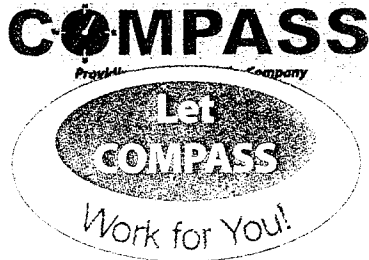
The Dollar Tree

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Front End Productivity

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Scheduling Best Practices



COMPASS schedules cashiers 30 minutes after closing so cashiers can better serve the customer. Cashiers can:

- ☐ Check out customers
- ☐ Count the till
- ☐ Make deposits with management
- ☐ Clean & recover
- ☐ Fill impulse areas

C Maximize Management Scheduling

- ▶ For peak periods, management schedules should overlap.
- ▶ The Freight Manager starts at 5:00 A.M. in most stores.
- ▶ Store Manager leads restocking crew as needed.
- ▶ Store Manager scheduled two nights weekly.
- ▶ Review coverage by shift summary.



It's the Dollar Tree way.

*It's about serving the
Customer.*

Maximize Your Time!

Complete this worksheet to see how to maximize management scheduling.

Using your store's peak periods, plan when should your store's management schedules will overlap.

**Make it a
Routine!**

What day(s) of the week will the Freight Manager work?

What day(s) does the Store Manager close?

How do you review coverage and how do you share this information with the other managers?

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Back End Productivity

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Scheduling Best Practices

A

Maximize Productivity

- ▶ Focus on the needs of the business.
- ▶ 2 associates are a must during open hours.
- ▶ 4 hours shifts provide flexibility for the business.
- ▶ Schedule past normal close of business.
- ▶ Schedule prior to open as needed.

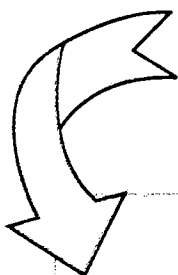
4

Wally Dollar Tree

Calculate Stocking Hours Needed

of cartons received ÷ cartons stocked per hour (20)

= Total stocking hours needed



Instructions: Using the formula above, fill out the yellow portions of the chart below to determine the **Total Stocking Hours** you'll need to include on your next schedule.

	Example	Calculate your hours to replenish your store
Number of cartons you'll receive	700 cases	
÷ cartons stocked per hour	20	20
= Total stocking hours	35	

The store in our example receives 700 cases of freight. This equals to 35 hours to stock at the rate of 20 cartons per hour.
The truck must be completed in 2 days.

*It's about our
Business Needs.*

DTC02438

**Back End
Productivity**

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Scheduling Best Practices

B Measure Productivity Using SPEH

- ▶ Measure productivity for all associates who process freight.
- ▶ Set store specific goals and follow up.
- ▶ Review store schedule.
- ▶ Review and adjust as needed (use mid week results to adjust for trends).



Use
SPEH
Projections

C Measure Stocking Productivity

- ▶ 4 U-boats per associate for each 4 hours shift.
- ▶ Plan for removal of cardboard.
- ▶ Plan for stockroom maintenance and preparation for truck.
- ▶ Set-up staging areas.

Recover to Standards

CONFIDENTIAL

Scheduling Best Practices

A

What is Recovery?

It's about keeping our store neat, clean, full, and well-organized!

at the Dollar Tree

Best Practices



Daily Recovery is:

- ▶ Keeping our stores neat, clean, full, and well-organized!
- ▶ Creating the same fun and exciting shopping experience for our customers at all times.
- ▶ Taking pride in the small things we do for our stores.
- ▶ Teaching associates to routinely walk down different aisles throughout the day to straighten and pick up loose items.
- ▶ Showing associates how to recover effectively and then holding everyone to the company standards.

Recovery just doesn't happen. You make it happen!

- ▶ Plan for Daily Recovery and communicate the plan to associates every day.
- ▶ Hold all associates to the same store standard: keeping our store neat, clean, full, and well-organized.

Great recovery practices lead to high store performance and increased sales:

- ◇ When recovery runs are scheduled and completed properly throughout the day, the closing manager doesn't have to spend evening payroll hours to do the re-shops. This increases the store's productivity.
- ◇ When condensing, fronting, and facing is completed properly, off-hour stocking crews can quickly and easily get the freight processed. When shelves are full, we increase sales and customers are happy. Stores look neat and organized.
- ◇ Associates spend less time cleaning up from the night before and have more time to stock product and fill up shelves. When more cartons are stocked, the stockroom gets emptied more quickly. Sales increase and shelves look full.



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Recover to Standards

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Scheduling Best Practices

B How to Recover the Store

Keep our store neat, clean, full, and well-organized!

Walmart Dollar Tree

Keeping the store NEAT



- ▶ Front and face product
- ▶ Straighten bins
- ▶ Pull peg areas forward
- ▶ Pick up loose and misplaced items. Walk with a shopping cart & put misplaced items in the cart as you go down each aisle. Replace them in the correct area when you reach the appropriate aisle.

- ▶ Dust endcaps, WOW table, display areas, and gondolas
- ▶ Sweep and vacuum floors
- ▶ Remove garbage
- ▶ Check the bathrooms during each Recovery
- ▶ Sweep sidewalk area
- ▶ Clean the front doors with window spray and paper towel

- ▶ Fill all promotional displays and fixtures
- ▶ Condense product on shelves to prepare for stocking crew
- ▶ Re-fill impulse POG and drive item(s) during cashier shift
- ▶ Fill the soda cooler
- ▶ Re-stock bags in register area
- ▶ Re-fill battery racks and helium balloons



- ▶ Clean and organize register areas
- ▶ Straighten window display area
- ▶ Retrieve shopping carts and baskets
- ▶ Return re-shops at end of each cashier shift
- ▶ All markups and markdowns are entered

What are re-shops?

Loose merchandise in the wrong location. Re-shops commonly occur on the front end, on end-caps, and in the aisles.

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Recover to Standards

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Scheduling Best Practices



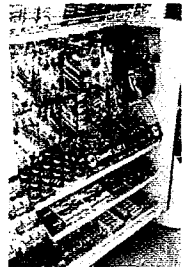
Best Times to Recover

The best times to fully recover the store are early morning, afternoon, early evening hours and after the store closes:

- ▶ 11 – 3 pm Monday - Saturday
- ▶ 4 – 8 pm Monday - Saturday
- ▶ 12 – 4 pm (Sunday)
- ▶ After the store closes

Use time management to get Recovery done throughout the day:

- ▶ Cashiers maintain the front impulse areas and endcaps when not ringing sales.
- ▶ At end of shift, cashiers re-shop loose merchandise.
- ▶ The closing Manager stops any freight processing at 4pm and the team recovers the store.
- ▶ Set the example and hold our associates to the company standards. A neat, clean, well-organized, and full store is easier is to recover than an empty store.



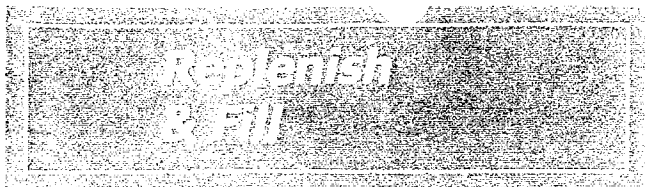
Want a great way to condense, face and front product?

Plan Ahead—It's your best trick! Recover areas of the store that the Stocking Crew will be filling on the next shift.

Here's how it works using your 3x5's and Daily Planner:

1. The Freight Manager plans out which areas of the store will be stocked. He or she tells the opening or closing manager what product will be stocked by the Stocking Crew.
2. The Manager assigns Recovery Areas to the associates performing the recovery. These Recovery Areas can be sections or departments of the store.
3. Associates recover the assigned area that will be stocked on the next shift. Associates focus on condensing, facing and fronting. Fronting product is especially important for product rotation.
4. Higher volume areas that will be stocked more than once a week require frequent recovery focus. Condense product to create shelf space for filling.

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Scheduling Best Practices

A Replenish & Fill 7 Days a Week

- ▶ Stock 7 days a week.
- ▶ Early 5:00 A.M. re-stocks are most effective.
- ▶ Re-stock completed prior to store opening.
- ▶ Schedule using 20 cartons per hour guideline.
- ▶ Plan ahead by anticipating needs.
- ▶ Filling for the weekend is critical.

4

4 Hours per Shift

Dollar Tree

B Formula for Replenishment Success

Use the
Formula!

Next week's estimated sales forecast
 ÷ Average cost per carton (\$30)
 ÷ Cartons stocked per hour/per associate (20)
 = Estimated hours dedicated to stocking the truck

	Our Example	Calculate your hours to replenish your store
Next week's estimated sales forecast	\$30,000	
÷ Average cost per carton	\$ 30.00	\$ 30.00
÷ Cartons stocked per hour/per associate	20	20
= Estimated hours dedicated to replenishment	50	

We'll replenish and fill the other 5 days at 4 hours per shift. This equals to 20 hours and it means that we get 400 additional cartons of freight to the sales floor at the rate of 20 cartons stocked per hour.

*Know when and how to
re-stock your store as you
schedule replenishment hours.*

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**Replenish
& Fill**

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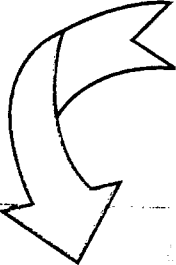
Scheduling Best Practices

C Schedule Replenishment Shifts in COMPASS

- ▶ Stock 4 U-boats per 4 hour shift.
- ▶ The average U-boat holds 20-25 cases.
- ▶ Replenish and fill 7 days a week.
- ▶ To schedule Replenishment shifts in COMPASS, use the formula below.

How can I calculate the number of Replenishment shifts I need to schedule in COMPASS?

Estimated hours dedicated to Replenishment (from last page)
 $\div 4$ (the number of hours in an average shift)
 = Number of Replenishment shifts to schedule in COMPASS



COMPASS <small>Providing Direction for the Company</small>	Our Example	Calculate the number of Replenishment shifts to schedule in COMPASS
Estimated hours dedicated to Replenishment (from last page)	50	
$\div 4$ (the number of hours in an average shift)	4	4
= Number of Replenishment shifts to schedule in COMPASS	12.5	

Hire
Available & Flexible
Associates

DTC02444